

**Turning Point Evaluation, Inc.
Winterset, Iowa**

FINANCIAL REPORT

December 31, 2020 and 2019

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Turning Point Evaluation, Inc.
BOARD OF DIRECTORS
December 31, 2020

Name	Title
Jennifer Livingston, MS, LMHC	Clinical & Executive Director
Nathaniel Brundidge, CADC	Director
Ross Jolly	Director of Operations
Gentri Meier, MS, LMHC, IADC	Director



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Turning Point Evaluation, Inc.
Winterset, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Turning Point Evaluation, Inc., which comprise the statements of assets and liabilities arising from cash transactions – modified cash basis as of December 31, 2020 and 2019, and the related statements of revenue, expenses, and change in net assets – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Turning Point Evaluation, Inc. as of December 31, 2020 and 2019, and its revenue, expenses, and change in net assets for the years then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021, on our consideration of Turning Point Evaluation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Turning Point Evaluation, Inc.'s internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 1, 2021

Turning Point Evaluation, Inc.
STATEMENTS OF ASSETS AND LIABILITIES ARISING
FROM CASH TRANSACTIONS – MODIFIED CASH BASIS

	ASSETS	December 31	
		<u>2020</u>	<u>2019</u>
Cash		\$ 212,044	\$ 92,973
Property and equipment, net of accumulated Depreciation, 2020 - \$16,677; 2019 - \$6,014		<u>150,080</u>	<u>121,232</u>
Total assets		<u>\$ 362,124</u>	<u>\$ 214,205</u>
NET ASSETS			
Net assets without donor restrictions		<u>\$ 362,124</u>	<u>\$ 214,205</u>

Turning Point Evaluation, Inc.
STATEMENTS OF REVENUE, EXPENSES, AND CHANGE IN
NET ASSETS – MODIFIED CASH BASIS

	Year ended December 31	
	2020	2019
PATIENT SERVICE REVENUE COLLECTED	\$ 541,318	\$ 572,079
OPERATING EXPENSES		
Program services	386,351	374,210
Management and general	121,408	129,015
Total operating expenses	<u>507,759</u>	<u>503,225</u>
Net operating income	33,559	68,854
OTHER REVENUE		
Contributions	430	—
Interest income	—	18
Paycheck Protection Program loan forgiveness	73,700	—
CARES Act provider relief fund	<u>40,230</u>	<u>—</u>
Total other income	<u>114,360</u>	<u>18</u>
Change in net assets without donor restrictions	147,919	68,872
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning	<u>214,205</u>	<u>145,333</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, ending	<u>\$ 362,124</u>	<u>\$ 214,205</u>

See Notes to Financial Statements.

Turning Point Evaluation, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

	Year ended December 31, 2020			Year ended December 31, 2019		
	<u>Program services</u>	<u>Management and general</u>	<u>Total expenses</u>	<u>Program services</u>	<u>Management and general</u>	<u>Total expenses</u>
Salaries	\$ 306,247	\$ 77,443	\$ 383,690	\$ 288,701	\$ 76,580	\$ 365,281
Payroll taxes	23,837	5,968	29,805	23,989	6,216	30,205
Payroll processing fees	—	708	708	—	698	698
Professional fees	11,440	5,000	16,440	22,505	9,000	31,505
Advertising	—	—	—	—	50	50
Occupancy	30,610	7,653	38,263	29,237	7,309	36,546
Depreciation	—	10,663	10,663	—	5,199	5,199
Repairs and maintenance	—	—	—	—	6,670	6,670
Insurance	—	3,026	3,026	—	3,363	3,363
Utilities	5,531	1,383	6,914	—	6,414	6,414
Supplies	6,499	4,113	10,612	4,954	3,582	8,536
Miscellaneous	<u>2,187</u>	<u>5,451</u>	<u>7,638</u>	<u>4,824</u>	<u>3,934</u>	<u>8,758</u>
	<u>\$ 386,351</u>	<u>\$ 121,408</u>	<u>\$ 507,759</u>	<u>\$ 374,210</u>	<u>\$ 129,015</u>	<u>\$ 503,225</u>

See Notes to Financial Statements.

Turning Point Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Turning Point Evaluation, Inc. (the Organization) is a nonprofit corporation organized as a behavioral health agency to provide mental health therapy and substance abuse counseling. The Organization is located in Winterset, Iowa and provides services primarily to residents of Central Iowa.

Basis of Presentation

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting, rather than under accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, all revenues are recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred. Property and equipment purchases are capitalized and depreciated over an estimated useful life.

As required by the Not-for-Profit Entities Topic of the *FASB Accounting Standards Codification*, the Organization reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are those assets that have no donor-imposed stipulations. The Organization's governing board may earmark portions of its net assets without donor restrictions as board-designated for various purposes.

Net assets with donor restrictions represent contributions or other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. As donor-imposed stipulations expire, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. The Organization has no net assets with donor restrictions at December 31, 2020 and 2019.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reported amounts of assets and net assets at the date of the financial statements and the reported amounts of revenues collected and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Expenditures for the acquisition of property and equipment are capitalized if the asset has a useful life greater than one year. Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 5-15 years.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$-0- and \$50 for the years ended December 31, 2020 and 2019, respectively.

Turning Point Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require disclosure in the financial statements. The Organization is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2017.

Revenue Recognition

Revenue consists of patient fees collected primarily from third-party insurance payors in accordance with the modified cash basis of accounting. The Organization recognizes patient fee revenue upon collection.

Functional Expenses

The statement of functional expenses – modified cash basis reports certain categories which are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. A majority of expenses are recorded to the applicable program or supporting function through the direct identification method. Occupancy expenses are allocated based on the proportionate square footage of the space used.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 137,918	\$ 113,548
Furnishings	17,701	5,329
Computer equipment	<u>11,138</u>	<u>8,369</u>
	166,757	127,246
Less accumulated depreciation	<u>16,677</u>	<u>6,014</u>
Property and equipment, net	<u>\$ 150,080</u>	<u>\$ 121,232</u>

Turning Point Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 PATIENT SERVICE REVENUE COLLECTED CONCENTRATIONS

Approximately 85% and 83% of the Organization's patient service revenue collected were through the State of Iowa's Medicaid Program in 2020 and 2019, respectively. The Organization's operations are subject to the administrative rules, directives, and reimbursement rates of the Iowa Medicaid program and the program's managed care organizations. Such rules, directives and reimbursement rates are subject to change by an act of the Iowa Legislature or by an administrative change of the Iowa Medicaid Enterprise. The Organization is reimbursed using rates which are prospectively set by contracts with the Iowa Medicaid program's managed care organizations.

NOTE 4 LEASE COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Organization leased office space under a 12 month lease with a member of the board of directors. The lease automatically renews each November unless cancelled by either party. Amounts paid to the related party totaled \$36,000 in 2020 and 2019.

The Organization has invested approximately \$138,000 in leasehold improvements in the office space. The leasehold improvements are being amortized over fifteen years and have a net amortized value at December 31, 2020 of approximately \$126,000. While the Organization does not anticipate the lease being terminated in the immediate future, should the lease be terminated, the Organization would incur a loss equal to the remaining net amortized value of the leasehold improvements.

NOTE 5 RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 6 LIQUIDITY

The Organization's financial assets available within one year of the statement of assets and liabilities arising from cash transactions – modified cash basis for general expenditures are as follows:

	<u>Year ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Cash	\$ <u>212,044</u>	\$ <u>92,973</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 7 PAYCHECK PROTECTION PROGRAM LOAN

Through a loan agreement dated May 5, 2020, the Organization received loan proceeds of \$73,700 from a financial institution under the federal Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA) and the United States Department of Treasury. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities as well as meets all other requirements as described in the CARES Act.

In December 2020, the Organization received notification that the loan had been forgiven.

Turning Point Evaluation, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. The pandemic has resulted in the economic disruptions and uncertainties across the global economy. The Organization is unable to predict the overall impact the pandemic will ultimately have on its operations and liquidity.

NOTE 9 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 1, 2021, the date which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Turning Point Evaluation, Inc.
Winterset, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Turning Point Evaluation, Inc., as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2021.

Other Comprehensive Basis of Accounting

Our report on the financial statements disclosed that, as described in Note 1 to the financial statements, the Organization prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Turning Point Evaluation, Inc.'s Response to Findings

Turning Point Evaluation, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings. Turning Point Evaluation, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 1, 2021

Turning Point Evaluation, Inc.
SCHEDULE OF FINDINGS
Year ended December 31, 2020

Part I – Findings Related to the Financial Statements

Finding 2020-001 – Segregation of Duties

Condition

The Organization does not maintain sufficient segregation of duties to prevent one individual from having primary control over all aspects of the accounting process.

Cause

The Organization does not have sufficient staffing to ensure that multiple individuals are involved in significant accounting controls and recording transactions.

Effect

One individual may have significant control over recording accounting transactions without adequate independent checks and balances or reviews by authorized personnel with governance oversight.

Recommendation

Resolving the deficiency may require the Organization to hire additional personnel necessary to adequately separate accounting responsibilities. This solution may result in a substantial increase in operating costs.

The other action would be to accept that by definition there is a material weakness in internal control and the cost of eliminating that deficiency may exceed the benefit.

Management's Response and Correction Action Plan

The Organization will continue to monitor its policies and procedures in an effort to improve control efficiencies, however, at this time, the Organization has determined that the cost of eliminating this deficiency would exceed its benefit.

Turning Point Evaluation, Inc.
SCHEDULE OF FINDINGS (continued)
Year ended December 31, 2020

Part I – Findings Related to the Financial Statements (continued)

Finding 2020-002 – External Financial Reporting

Condition

The Organization engages the independent auditor to assist them with their external financial statement reporting, as the Organization's accounting staff does not possess the necessary expertise with certain financial statement reporting and disclosure reporting requirements of the modified cash basis of accounting in accordance with professional standards, as is the case with most small organizations.

Criteria

Proper financial statement reporting, including footnote disclosure presentation, is a requirement of internal control over financial reporting.

Cause

The operating budget for an organization the size of Turning Point Evaluation, Inc., does not allow for hiring someone with this expertise.

Effect

The financial statements prepared by management will be incomplete without adequate footnote disclosures.

Recommendation

Resolving the deficiency may require the Organization to hire additional personnel with the necessary training and professional experience or invest significant time and resources in the training of existing personnel.

Views of Responsible Officials

The Organization has determined that the operating budget cannot handle the additional expense of hiring someone with financial reporting expertise.